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SENT ELECTRONICALLY AND BY MAIL

December 17, 2003

Mary Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

**Re:** ***Cambridge Electric Light Company and Commonwealth Electric Company, D.T.E. 03-118***

Dear Secretary Cottrell:

On December 1, 2003, pursuant to G.L. c. 164, § 1A(a), and 220 C.M.R. § 11.03(4), Commonwealth Electric Light Company ("Commonwealth") and Cambridge Electric Company ("Cambridge") (together, "Companies" or "ComElectric") filed with the Department their 2003 reconciliation filing. The filing incorporates several rate change proposals to be effective on January 1, 2004. On December 8, 2003, the Department issued a Notice of the Filing and Request For Comments. Pursuant to that Notice, the Attorney General submits this letter as his Initial Comments.

Cambridge seeks approval of rates that will increase its average standard offer service rates by $0.00019/kWh. Exh. CAM-HCL-5. The Companies propose the following changes:

- increase the transition charge from $0.00200/kWh to $0.00398[1];

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[1] According to Mr. LaMontagne's testimony, the maximum uniform transition charge that may be implemented for 2004 is $0.00253. Exh. CAM/COM-HCL, pp. 6-7. The proposed transition charge of $0.00398 includes both the class specific transition adjustment factors shown in Exh. CAM-HCL-6 as well as a distribution rate component, the pension adjustment factor of $0.00124/kWh. The pension adjustment factor was filed December 1, 2003 in compliance with the Department's order in D.T.E. 03-
(continued...)

- decrease the average transmission charge from \$0.01976/kWh to \$0.01427;
- increase the default service adjustment charge from \$0.00160 to \$0.00265/kWh; and
- increase the base standard offer charge from \$0.047 to \$0.0510/kWh.

Commonwealth seeks approval of rates that will increase its average standard offer service rates by \$0.00361/kWh.[2] Exh. COM-HCL-5. The Companies propose the following changes:

- increase the transition charge from \$0.02749/kWh to \$0.02108[3];
- increase the average transmission charge from \$0.00517/kWh to \$0.00683;
- increase the default service adjustment charge from \$0.0000 to \$0.00440/kWh; and
- increase the base standard offer charge from \$0.047 to \$0.0510/kWh.

In addition to class specific transition charge adjustments (Exh. CAM/COM-HCL-6) and the implementation of a pension adjustment factor and a new Standard Offer Service Fuel Adjustment ("SOSFA"), both of which are the subject of separate proceedings (D.T.E. 03-47 and D.T.E. 00-70), the Companies propose revenue neutral distribution rate redesigns that affect all classes. The Companies' proposed distribution rate redesign causes rate increases in the residential, R-1 rate classes that will increase the average standard offer customer's monthly bill for 500 kWh by \$1.30 or 2% for Cambridge customers and \$1.80 or 2.5% for Commonwealth's customers, when combined with the other proposed rate changes.[4] Exh. CAM/COM-HCL-8(b).[5]

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[1](...continued)
47-A. The Department's decision in that case is currently the subject of a motion for reconsideration/recalculation and a request for an extension of the appeal period. *See* Attorney General's Motion, December 10, 2003.

[2] There appear to be several errors in Exh. COM-HCL-5 affecting the 2003 rates. During 2003, there was no default service adjustment factor in effect. According to Exh. COM-HCL-5 filed in D.T.E. 02-80, the estimated average transmission rate was \$0.00517, and the current base standard offer is \$0.047. Correcting for these items, the 2003 total is \$0.11905. Based on the corrected 2003 total, the average increase is \$0.00361/kWh.

[3] According to Mr. LaMontagne's testimony the maximum uniform transition charge that may be implemented for 2004 is \$0.02027. Exh.CAM/COM-HCL, pp. 6-7. The proposed transition charge of \$0.02108 includes both the class specific transition adjustment factors shown in Exh. COM-HCL-6 as well as a distribution rate component, the pension adjustment factor of \$0.00076/kWh. The pension adjustment factor was filed December 1, 2003 in compliance with the Department's order in D.T.E. 03-47-A. On December 10, 2003, the Attorney General filed a response to the compliance filing and requested an investigation into the proposed pension adjustment factor.

[4] Customers in other rate classes will see even larger bill impact (Residential time of use customers, R-5 class in Cambridge will see more than 14% increases in their winter bills), while other customers, primarily commercial and industrial customers, will see lower overall increases as some
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The Attorney General requests that the Department (1) initiate a formal investigation into the reconciliation filings; (2) reject the Company's redesigned distribution rates, including the implementation of the pension adjustment factor; and (3) require the Company to file new tariffs, documentation and workpapers supporting rates for effect January 1, 2004, consistent with the Department's precedent.

For the transition charge reconciliation, the Department should open an investigation into the Company's proposed reconciliation, as it has for all prior Company prior filings. "[T]he Department must ensure that the proposed reconciliations are consistent with or substantially comply with the Electric Utility Restructuring Act, Chapter 164 of the Acts of 1997 ("Act") the company's approved restructuring plan, applicable law, and Department precedent." *Boston Edison Company*, D.T.E. 98-111, p. 4 (October 19, 1999). *See Boston Edison Company*, D.T.E. 98-111 (December 31, 1998); *Boston Edison Company*, D.T.E. 99-107 (January 4, 2000).

The Department should also reject the Company's proposed "revenue neutral" rate redesign. The Company has failed to file a prima facie case.[6] The Company has not provided support for the rate re-design.[7] Nor has the public received notice of this wide-sweeping proposal.[8] The Department does not accept even revenue neutral rate redesign proposals without

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[4](...continued)
components of their distribution charges are reduced. In all classes, customer charges are increased inexplicably as part of the Companies' proposal. Exh. CAM-HCL-8(b).

[5] On December 12, 2003, the Company filed a corrected Exh. COM-HCL-8(b), Revised.

[6] At a minimum, in order to review adequately the proposed rate redesign, the Company should demonstrate the benefits of the redesign; the bill determinants used, a comparison of current determinants and to the rates proposed, evidence that the rate design determinants are representative of the period the rates will be in effect, any adjustments made to actual bill determinants in developing the rate design determinants, the calculation basis for the proposed design and for how the Company developed the changes to the rate elements and the most recent fully allocated cost of service study showing class deficiencies based on current and proposed rates.

[7] The only evidence provided to support its proposal is the testimony of its witness, Mr. LaMontagne, who states, "Now that the distribution rate freeze approved by the Department in D.T.E. 99-19 has expired, the Company is able to make some minor, revenue neutral distribution rate design changes to achieve a uniform 15 percent reduction..." Exh. CAM/COM-HCL, p. 4.

[8] The public notice issued by the Department on December 8, 2003 did not indicate that
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investigation. *Commonwealth Gas Company*, D.P.U. 92-151 (1992) (denying revenue neutral rate redesign that increased rates for a single class); *Fitchburg Gas and Electric Light Company*, D.T.E. 00-107 (denying revenue neutral rate redesign to maintain 15% discount); *Eastern Edison Company*, D.P.U. 97-43 (1997) (unbundling of electricity rates, must be revenue neutral for the Company as a whole, each rate class and for each customer).

The Department should reject the proposed tariffs and order the Company to file new tariffs that comply with the requirements of the Restructuring Settlement, the Electric Utility Restructuring Act of 1997, and Department precedent. The new filing should also exclude the pension adjustment factor. Including the pension adjustment factor is premature given the unresolved issues regarding the compliance filing in D.T.E. 03-47. In addition, consistent with precedent, the Department should conduct an evidentiary proceeding, including adequate opportunity for discovery, cross-examination of witnesses and briefs.[9]

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[8](...continued)
distribution rates were going to change and increase for residential customers. *See* G.L. c. 30A § 11("Parties shall have sufficient notice of the issues involved to afford them reasonable opportunity to prepare and present evidence and argument.")

[9] Although the Department, in its Letter to Electric Distribution Companies, December 17, 1999, did not prohibit companies from proposing "...**minor**, revenue-neutral rate redesign, expressly to achieve the 15 percent reduction...to **avoid** distribution revenue shortfalls or **unacceptably large transition charge deferrals**," neither the Companies' proposal nor the data submitted on December 16, 2003 in response to the Department's information requests meets the threshold requirements. Letter to Electric Distribution Companies, December 17, 1999, p. 5, n. 6 (Emphasis added). Department precedent is clear regarding the process for approving redesigned distribution rates. "The Department traditionally has reviewed proposed changes to base rates by conducting a thorough review of the costs included in the COSS and the manner in which the costs were functionalized and allocated. A cost of service investigation typically takes six months to complete." *Cambridge Electric Light Company, Commonwealth Electric Company*, D.T.E. 97-111, p. 39.

Sincerely,

Judith E. Laster
Assistant Attorney General

cc: Robert W. Werlin, Esq.
Caroline Bulger, Hearing Officer